Servicing . . .

Continued from page 1

up 4.3% from the year before.

As reported Tuesday in the American Banker survey of the 300 largest mortgage companies, bank acquisitions of mortgage companies rose 69% over the year ending June 30 and accounted for 43% of all mortgage-company mergers.

The increase in merger activity was attributable to the continued high interest rates during the period. The high rates continued to depress the housing market, causing many mortgage companies in need of cash to sell off their servicing portfolios.

Banks, either directly or through mortgage subsidiaries, purchased these portfolios to generate servicing volume. In addition, the high rates made loan servicing an attractive investment, because mortgage loans tend to stay on the books longer when interest rates are high, thus making these loans more profitable. Also, the value of escrow balances rises as rates increase.

Some of the major portfolio acquisitions were made by seventh-ranked Bank of Hawaii, Honolulu; eighth-ranked Industrial Valley Bank & Trust Co. of Philadelphia; 14th-ranked Union Planters National Bank of Memphis; 30th-ranked Georgia Railroad Bank & Trust Co. of Augusta; 38th-ranked First National Bank of Louisville, Ky.; and 48th-ranked Manufacturers National Bank of Detroit.

Bank of Hawaii acquired $34 million in servicing from Real Estate Finance Corp. of Honolulu; Industrial Valley acquired $76 million in servicing from Crockett Mortgage Co. of Valley Forge, Pa.; Union Planters acquired $41 million of the portfolio of Percy Galbreath & Son Inc. of Memphis; Georgia Railroad acquired Standard Finance Corp. of Augusta and its $186 million servicing portfolio; First National Bank of Louisville acquired $92 million in servicing from Colonial Savings & Loan Association of Shawnee Mission, Kan.; and Manufacturers National acquired $64 million in servicing from its affiliated mortgage company, Graham Mortgage of Southfield, Mich.

Several other intracompany transfers and mergers took place.

In August, First Interstate Mortgage Co. of Los Angeles, a division of First Interstate Bank of California, the largest bank in servicing at midyear with $3.7 billion, became a mortgage subsidiary of First Interstate Bancorp of Los Angeles, the bank's parent.

Had the change taken place at midyear, First Interstate Mortgage would have been the nation's 19th largest mortgage company.

In addition to this intracompany transfer, two affiliate banks of First Interstate Bancorp — First Interstate Bank of Fort Collins NA, Colo., and First Interstate Bank of Utah, Salt Lake City, transferred their servicing to First Interstate Real Estate Services Co., Denver, another mortgage subsidiary of their parent.

The Fort Collins bank was the nation's 52d largest in servicing at midyear 1981, with $110.8 million. The Utah bank then ranked 132d, with $15 million in servicing.

First Interstate Real Estate was the nation's 141st largest mortgage company at midyear 1982, with $496 million in servicing.

The 23d-ranked First Interstate Bank of Washington NA, Seattle, acquired approximately $300,000 in servicing when it merged Fidelity Mutual Savings Bank of Spokane last March.

The 54th-ranked Commerce Union Bank of Nashville made its mortgage company subsidiary, Noel-Palmer Mortgage Co. Inc. of Nashville, a division of the bank.

Commerce Bank of Kansas City NA, ranked 98th, transferred servicing from its mortgage-company subsidiary, Commerce Mortgage Co. of Kansas City, to the bank.

F&M Marquette National Bank of Minneapolis acquired the $54 million portfolio of Farmers & Mechanics Savings Bank ofMinneapolis when it acquired the savings bank last February.

Other Survey Findings

In addition to the $24.46 billion in servicing for investors at midyear by the top 100 banks, these banks had $42.19 billion in mortgages that they either owned or held in their trust accounts, up 8% from a year earlier.

Total servicing by these banks — servicing for others plus servicing for themselves and their trust accounts — amounted to $64.86 billion, an increase of 4.4% from $62.13 billion for the top 100 on June 30, 1981.

The data for bank servicing for investors by the 100 largest banks exclude mortgages on which a bank services for itself or for any accounts in its trust department. Also excluded is servicing by mortgage-company subsidiaries of a bank.

Largest Banks in Servicing

The nation's largest servicer of mortgages for investors remained the $14.7 billion-deposit First Interstate Bank of California, Los Angeles. It serviced a total of $3.7 billion for others as of June 30, 1982, up 15.1% from $3.2 billion a year earlier.

It was again followed by the $95.7 billion-deposit Bank of America NT&SA of San Francisco. BofA serviced $1.6 billion, down 8.5% from $1.76 billion a year eariler.

The $267.4 million-deposit Union National Bank of Little Rock, Ark., moved up one place to third, with $793.1 million in servicing.

The $793.4 million-deposit Hibernia Bank of San Francisco dropped to fourth place, with $785.9 million in servicing. This was a decline of 18.1% from a year earlier when it ranked third.

The $24.2 billion-deposit Security Pacific National Bank of Los Angeles remained fifth, with $750 million in servicing.

Biggest Gains in Rank

Among the 100 largest servicers, 24 banks improved their rankings from the year before, compared with 37 that improved their positions in the previous year.

The largest gainer was Lincoln First Bank NA of Rochester, N.Y., which jumped 87 places to 56th. The gain was attributed to the bank's reporting consolidated figures which included loans at its regional offices in Binghamton, Jamestown, Syracuse, and White Plains, N.Y. Prior to this year, only data for the Rochester office were available.

It was followed by Georgia Railroad Bank & Trust Co., which rose 79 places 30th.

Equitable Bank NA of Baltimore was next, rising 41 places to 80th. It was followed by F&M Marquette National Bank, which moved up 41 places to 49th.

First National Bank of Louisville rose 34 places to 38th. Manufacturers National of Detroit moved up 12 places to 48th, and Colonial Bank of Waterbury, Conn., moved up nine places to 93d.

Old Stone Bank of Providence, R.I., rose eight places to 27th, and Peoples Bank & Trust of Anchorage, Alaska, rose seven places to 71st. ■

Mellon . . .

Continued from page 3

Mellon set aside $25.2 million into its provision for possible loan losses during the latest quarter, compared with $7.3 million in the year earlier period and $14.7 million during the second quarter of this year.

The reserve for possible loan losses stood at $166 million at Sept. 30, compared with $125 million a year earlier and $152 million at the end of the second quarter.

Profitability improved at Mellon, as both the returns on equity and assets improved over year-ago and second quarter results. The third-quarter return on assets was 0.80%, compared with 0.70% in the third quarter a year ago and 0.69% in the second quarter.

The return on average equity was 15.5% during the quarter, compared with 12.6% a year ago and 12.8% in the April-June period.

For the first nine months of 1982, Mellon reported earnings of $102.1 million, or $5.19 a share, a 16% increase over the $87.8 million, or $4.47 per share, earned during the same period last year.

Total assets at Mellon grew to $21.7 billion at Sept. 30, 1982, compared with $18.1 billion a year earlier. Deposits were $14.1 billion at the end of the third quarter, up from $12.3 billion on the same date a year ago. Total loans increased to $11.9 billion at the end of the quarter compared with $9.5 billion on the same date in 1981.

An NBD statement attributed the increase to a wider net interest margin as well as a $968 million increase in earning assets. NBD said its net interest margin widened to 2.75% from 2.56% during the third quarter.

In the second quarter of this year, NBD earned $18.8 million, or $1.53 per share.

The holding comany also boosted its loan loss provision to $7.7 million during the third quarter, compared with $5.7 million during the third quarter a year ago. For the first nine months of 1982, the provision has been $18.9 million, compared with $15.7 million during the same period of 1981.

Nonperforming loans more than tripled during the year, rising to $174.2 million at Sept. 30, from $48.1 million a year earlier and $101.8 million at yearend 1981.

Nine-month earnings before securities transaction at NBD, the parent of National Bank of Detroit, rose 5.2% over the same period a year ago to $56.2 million, or $4.59 per share, from $53.4 million, or $4.36 per share, during the same period last year.

Total assets at NBD rose 6.7% to $12.9 billion at Sept. 30 from $12.1 billion on the same date in 1981. Deposits rose slightly during the period to $9.0 billion from $8.8 billion, while loans increased 10.4% to $5.8 billion from $5.3 billion. ■

Markham . . .

Continued from page 3

bank to close in 1982.

Meanwhile, computer problems and "snags in record keeping" have delayed the FDIC's payoff of depositors until later this week. The insurance corporation had planned to begin paying off Tuesday Tri-State's approximately 7,300 depositors.

All deposits are either fully insured or backed with government securities, an FDIC spokesman said. None of the uninsured depositors, including some municipalities that held public accounts at Tri-State, are expected to lose any money because of the closing.

Tri-State was on the state regulators' problem list for about three years, a spokesman for Mr. Harris said. In June, state regulators warned the bank's directors that they would be removed unless corrective action was taken. Those actions included an infusion of capital and efforts to straighten out problem loans.

The United States Attorney's Office here refused to comment on one report that it is investigating the practices of Tri-State's three top directors, two of whom reportedly owned 85% of the bank's common stock. ■

Correction

An article in the Oct. 1 issue incorrectly stated that a provison was removed from the Depository Institutuions Amendments Act. A section that would extend the period of time banks have to divest themselves of real estate was included in the final version of the bill. ■

We are pleased to announce
the appointment of the following
as Managing Directors
effective October 1, 1982

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LEE H. KIMMELL
JOHN J. VEATCH, JR.

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Aid Mexico, Argentina, Banks Urged

By M.S. MENDELSOHN

NEW YORK — Representatives of 18 international banks have been officially urged to maintain and, if possible, increase their lending to Mexico and Argentina to help tide the two countries over their present difficulties.

This appeal to banks was made at an unprecedented private meeting called on short notice Tuesday by the International Monetary Fund and held at the New York Federal Reserve Bank. Jacques de Larosiere, managing director of the fund, presided at the meeting attended by a number of his staff. Also present was Anthony Solomon, president of the New York Fed.

The American, European, and Japanese bankers present were told that unless the commercial banking system's lending to the two countries was kept up, the countries might be unable to meet the conditions of the International Monetary Fund credits in the process of being approved for them. Failure to meet the fund's conditions would lead to interruptions of fund disbursements to the two countries which, in a vicious downward spiral, would further diminish their credit standing in the markets and their ability to meet their international obligations.

"Mr. de Larosiere was preaching to the converted," said the chairman of one of the leading banks present. "But the meeting helps big banks like ours

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Questions on New Account Flood Regulators

Banks, Thrifts Keep Plans Under Wraps

By ALICE ARVAN and RICHARD RINGER

Banks and thrifts are beginning to announce plans for the new money market account, but most are holding back on the specifics of their pricing strategies.

Some are willing to say how often they will change interest rates. So far, daily, weekly, and monthly rate-change formulas have been announced.

Most institutions seem to be planning to base their rates on yields of comparable money market instruments. But they aren't disclosing exactly how much above or below those yields their rates will be.

One bank that has revealed its pricing

➤➤ Account: Page 14

Agencies, Trade Groups Swamped with Calls

By LISA J. Mc CUE and JAY ROSENSTEIN

Telephones in Washington have been ringing continuously at government agencies and industry trade associations since Monday. Hundreds of calls are coming from bank and thrift officials who have all kinds of questions about the new money market account.

Most of the queries are about telephone transfer capabilities, whether corporations can open the new accounts, designs for the new product, policing accounts to make sure no more than six authorized transactions per month are made on each account, and setting and enforcing penalties on depositors who exceed the legal limit of authorized transactions.

The new account, which depository institutions may begin to offer on Dec. 14, was authorized by the Depository Institutions Act of 1982 signed into law in October. The guidelines for the account are being set by the Depository Institutions Deregulation Committee, which consists of the chairmen of the Federal Reserve Board, the Federal Home Loan Bank Board, the Federal Deposit Insurance Corp., and the National Credit Union Administration, the secretary of the Treasury, and the comptroller of the currency.

Interviews with government officials and staff at the American Bankers Association show that the industry is asking numerous questions regarding limits on the frequency of telephone transfers that can be made from the

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Large Trust Departments Show Balanced Funds Work

Practice of Separating Stocks and Bonds Wanes as Combined Units Trounce S&P 500

By DAVID O. TYSON

NEW YORK — Is there a future for the balanced fund?

Some trust bankers believe there is, that the trend toward breaking up such funds into their bond and stock components may be reversed as banks search for retail investment management products.

Well-managed balanced funds at some large trust departments demonstrate that the approach works. The Telstat Index of balanced funds shows they had an average performance in the 12 months through the third quarter of 21.9%, more than twice the 10.0% total return of Standard & Poor's 500 common stocks.

Performance Tables, Pages 10 and 11

The best performing of all in the quarterly survey of Telstat Systems Inc. and American Banker was the $170 million Income Fund at Provident National Bank, Philadelphia. It produced a 27.6% total return in 12 months for beneficiaries of the 3,199 personal trust accounts that use it.

Close behind with a 27.4% total return for the 12 months is the $10 million Bank of California balanced fund.

"It's appropriate particularly for smaller accounts that would normally be balanced somewhat between fixed income and equity type investments," says James P. Brisbois, the Bank of California vice president who manages it.

For the five years through September, the $275 million Citibank

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Indianapolis: This Year's All-America City

A series of innovative and inspired projects were the basis for Indianapolis achieving 1982 All-America City honors. This honor is awarded by The National Municipal League. The projects included a successful inner-city housing rehabilitation program, a downtown revitalization plan implemented by the Regional Center Planning Committee and PRIDE, the Peaceful Response to Indianapolis Desegregation of Education. American Fletcher, Indiana's largest bank, is proud to do business in this positive environment.

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Fireman's Fund Names Cutler CEO

NEW YORK — Edwin F. Cutler has been elected chairman and chief executive officer of Fireman's Fund Insurance Co., and as chairman, president, and chief executive officer of the holding company for insurance operations, Fireman's Fund/American Express Inc.

Mr. Cutler has been serving as vice chairman and chief administration of Fireman's Fund, San Francisco, a wholly owned subsidiary of American Express Co., New York.

Myron DuBain is retiring as chairman, president, and CEO of Fireman's Fund and as vice chairman of American Express, effective Dec. 31.

Mr. DuBain, who has been with Fireman's Fund for more than 36 years, has held his current post since February 1974. He will continue as a director of Fireman's Fund.

In addition, James J. Meenaghan was elected president and chief operating officer of Fireman's Fund Insurance, vice chairman of Fireman's Fund/American Express Inc., and a director of both. Mr. Meenaghan has been president of U.S. property liability operations.

O.D. Oliphant continues as vice chairman of the holding company and of Fireman's Fund Insurance, responsible for international, reinsurance, and Canadian operations.

Messrs. Meenaghan and Oliphant will report to Mr. Cutler. ■

Mellon . . .

Continued from page 2

Although Mellon reportedly does not yet have hard figures in terms of future hiring, J. David Barnes, chairman and chief executive officer of Mellon Bank, described the planned purchase as "consistent with the past growth dynamics of Mellon Bank and our expected expansion. This agreement between two of Pittsburgh's major corporations is constructive to the Pittsburgh business community generally. Establishing One Mellon Bank Center in the Golden Triangle demonstrates and reinforces our dedication to this area and our desire to maintain the historic relationship which Mellon Bank and Pittsburgh have enjoyed over the years."

According to a spokesman, "It's premature to discuss price. The deal has not been completed, nor has the building." ■

Irving . . .

Continued from page 3

trend will continue. Since it was introduced last May by Chase Manhattan Corp., nine banks have done 12 issues totaling $1.68 billion of the floating rate preferred. That is more than all the public issues of common stocks by banks over the last decade, according to Merrill Lynch statistics.

An Irving statement said that neither transaction is contingent upon the other, but both are expected to be offered at about the same time.

The issue will be underwritten by a group managed by Merrill Lynch White Weld Capital Markets Group and Salomon Brothers Inc. ■

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1982 Holiday Savings Funds

Club Pay-outs Compared with 1981 Totals

To provide comparative published data on holiday savings funds, reports of 1982 pay-out totals will be printed as received, with comparable 1981 figures where made available.

	Distribution 1982 $	Distribution 1981 $	Number of Accounts 1982	Number of Accounts 1981	Major types of Account Offered(a) 1982	Major types of Account Offered(a) 1981	Most Common Payment Schedule(b) 1982	Most Common Payment Schedule(b) 1981
Chase Manhattan Bank NA, New York	12,163,013	8,796,515	21,036	17,432	E	E	M	M
National Community Bank of New Jersey, Rutherford	10,416,291	8,305,757	32,207	28,720	C	C	W	W
Key Bank NA, Albany, N.Y.	9,243,734	7,729,947	29,251	23,955	C	C	W	W
American National Bank, Morristown, N.J.	8,300,000	8,830,000	35,144	45,525	P	P	F	F
Germantown Savings Bank, Bala-Cynwyd, Pa.	6,325,424	6,241,724	18,339	19,725	C	C	W	W
Citizens National Bank, Evansville, Ind.	5,291,719	4,867,867	8,274	8,634	E	E	W	W
Marine Bank, Erie, Pa.	4,844,303	2,256,455	18,142	9,986	C	C	W	W
Manhattan Savings Bank, New York	4,446,787	4,263,089	15,813	15,463	P	P	W	W
National City Bank, Cleveland	4,068,362	4,155,545	13,123	16,447	C	C	B	B
Dollar Savings & Trust Co., Youngstown, Ohio	3,107,560	3,260,655	9,651	10,599	C	C	F	F
Delaware Trust Co., Wilmington	3,012,615	2,923,762	8,563	8,537	C	C	W	W
Home & City Savings Bank, Albany, N.Y.	2,887,899	2,837,617	11,910	15,094	P	P	W	W
United States National Bank of Oregon, Portland	2,831,385	2,855,221	9,656	9,998	C	C	B	B
Midlantic National Bank/Citizens, Englewood, N.J.	2,741,000	2,819,000	7,455	8,670	C	C	W	W
Chemung Canal Trust Co., Elmira, N.Y.	2,587,194	1,909,280	9,677	9,320	C	C	W	W
Easton National Bank & Trust Co., Pa.	2,353,031	2,315,511	7,437	7,852	C	C	W	W
Guaranty Bank & Trust Co., Lafayette, La.	2,300,325	2,038,286	6,646	6,284	C	C	W	W
New Bedford Institution for Savings, Mass.	2,134,527	1,975,271	7,018	7,169	P	P	F	F
Liberty National Bank & Trust Co., Louisville, Ky.	2,003,820	2,070,205	8,253	8,983	C	C	W	W
First National Bank of Kenosha, Wis.	1,832,190	1,757,897	7,680	7,559	C	C	W	W
First National Bank of Columbus, Ga.	1,690,175	1,557,845	5,615	5,539	C	C	W	W
Union Savings Bank of L.I., Patchague, N.Y.	1,661,158	1,296,856	6,273	5,293	C	C	W	W
Hancock Bank, Gulfport, Miss.	1,574,917	1,581,791	6,221	7,356	C	C	W	W
Harter Bank & Trust Co., Canton, Ohio	1,564,509	1,930,487	5,679	8,991	C	C	W	W
Essexbank, Peabody, Mass.	1,535,091	1,605,276	4,587	5,312	C	C	W	W
Riggs National Bank, Washington, D.C.	1,493,318	1,506,273	5,165	5,180	C	C	B	B
Casco Bank & Trust Co., Portland, Me.	1,376,714	1,453,873	4,542	5,251	C	C	W	W
Pacesetter Bk & Tr Co.-West, Grand Haven, Mich.	1,367,964	1,295,878	3,934	4,249	C	C	W	W
Bloomfield Savings Bank, N.J.	1,354,400	1,353,400	5,476	5,716	C	C	W	W
Auburn Savings Bank, N.Y.	1,302,782	1,108,084	4,853	4,123	C	C	W	W
New Britain National Bank, Conn.	1,259,102	943,321	3,912	3,441	C	C	W	W
National Bank of Boyertown, Pa.	1,249,662	1,367,480	4,146	5,177	C	C	B	B
Liberty Bank, Honolulu	1,243,987	1,353,071	4,175	5,251	P	P	F	F
Centerre Bank NA, St. Louis	1,223,932	1,360,048	2,436	4,072	P	P	B	B
Berkshire Bank & Trust Co., Pittsfield, Mass.	1,072,537	967,761	3,025	3,168	C	C	W	W
Merchants National Bank, Muncie, Ind.	1,037,526	1,170,862	5,396	6,797	C	C	W	W
Mechanics Bank, Worcester, Mass.	1,008,241	959,370	2,334	2,658	C	C	W	W
Savannah Bank & Trust Co., Ga.	974,650	914,014	5,174	5,264	C	C	W	W
Citibank (New York State) NA, Buffalo	956,410	955,146	3,267	3,645	C	C	W	W
Springfield Marine Bank, Ill.	953,640	1,000,550	3,245	3,853	C	C	F	F
Farmers & Mechanics Svgs Bk, Middletown, Conn.	885,958	981,964	3,835	5,332	P	C	W	W
Washington Savings Bank, Hoboken, N.J.	845,788	858,504	1,882	1,909	P	P	W	W
Union County Savings Bank, Elizabeth, N.J.	830,496	815,201	2,518	2,553	C	C	W	W
Chicago City Bank & Trust Co.	423,234	461,414	4,259	3,275	C	C	B	B
Lincoln Mutual Savings Bank, Spokane, Wash.	403,000	461,000	1,328	1,673	P	P	W	W
Peoples Savings Bank, Holyoke, Mass.	389,737	322,189	2,938	2,888	P	P	W	W
First Bank & Trust Co., Ashland, Ky.	176,276	210,659	703	911	C	C	W	W
Savings Bank of Danbury, Conn.	168,653	165,697	535	476	C	C	W	W
Home Savings Bank, Boston	153,260	146,888	1,054	1,174	P	P	F	F
Litchfield Savings Bank, Conn.	133,356	136,291	532	574	C	C	W	W

(a)-Major Account type: C—Coupon Book; P—Passbook; S—Statement Account; E—Electronic Funds Transfer
(b)-Payment Schedule: W—Weekly; B—Bi-weekly; M—Monthly; F—Flexible
(N.A.)-Not Available.

Rates Decline on New Mortgages

WASHINGTON — New mortgage loans by major lenders in early October carried lower rates than they have since May 1981. And the cost of funds to associations insured by the Federal Savings and Loan Insurance Corp. was down to its lowest level in almost three years, according to Federal Home Loan Bank Board data.

The two Bank Board indices that showed these results are used by S&Ls with federal charters to determine pricing on adjustable rate mortgages.

The FHLBB tracks, first, the average mortgage contract interest rate on conventional mortgage loans closed by all major lenders for purchasing occupied single-family homes every month, and second, the national average cost of funds for associations insured by the Federal Savings and Loan Insurance Corp. every six months.

The average contract interest rate for the index during early October was 14.37%. This rate is a weighted average of interest rates reported for loan transactions during the first five working days of the index by a sample of major mortgage lenders. It reflects the rate on new transactions, not on outstanding loans.

A new final average covering early November will be announced on or about Dec. 13.

The national average cost of funds for the six months ended June 30 was 11.49%. This was down four basis points from 11.53% in the six months ended last December and the first decline in almost three years. The cost of funds increased steadily from 6.79% in the last half of 1978 to the recent high of 11.53.

This index reflects the rate on all funds, instead of new funds. The cost of funds is defined by the Bank Board as interest or dividends paid or accrued on deposits, on FHLB advances and on other borrowed money as a percentage of average deposits and borrowings.

A new average cost of funds covering the six months ending Dec. 30 will be announced in late March 1983. ■

US Trust International Names Walsh Exec VP

NEW YORK — Kenneth G. Walsh has been appointed executive vice president of United States Trust Co. International Corp., a subsidiary of U.S. Trust Corp.

Appointed also at the subsidiary were Perry W. Skjelbred as senior vice president and chief financial officer and Martin H. Chanzit as assistant vice president. ■

Los Angeles S&L Sells Mortgage Securities

LOS ANGELES — Coast Federal Savings & Loan Association here has announced the sale of securities backed by $250 million of mortgages to the California State Retirement Fund. The California mortgages had been in Coast Federal's $4 billion portfolio.

Sale of the package of mortgage securities, which was arranged by Coast Federal and two national secondary market agencies, is believed to be the largest single sale to a state pension fund ever to be completed, Coast Federal said. ■

Zdanow Named an EVP At C.I.T Financial

NEW YORK — Nikita Zdanow has been named executive vice president-general manager of corporate finance for C.I.T. Financial Corp.

Mr. Zdanow began his career with C.I.T. in the accounting department. After a series of increasingly responsible positions, in 1967 he was transferred to the unit working on special assignments in industrial financing and leasing. He was promoted to assistant vice president in 1971 and vice president in 1973.

NOTE

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